



*For
Active, Inactive And
Retired Defined Benefit
Members*

Montana Public Employee Retirement Administration

October 2008

This newsletter provides information to members who are covered under the following retirement systems administered by the Montana Public Employees' Retirement Board (PERB):

- Public Employees' (**PERS**)
- Highway Patrol Officers' (**HPORS**)
- Game Wardens' and Peace Officers' (**GWPORS**)
- Firefighters' Unified (**FURS**)
- Judges' (**JRS**)
- Sheriffs' (**SRS**)
- Municipal Police Officers' (**MPORS**)

STATUS OF YOUR RETIREMENT SYSTEM

*An Update from
the Montana Public Employee Retirement
Administration.*

The Montana Public Employees' Retirement Board (Board) and its staff, the Montana Public Employee Retirement Administration (MPERA), know that the recent turmoil on Wall Street and the financial markets is of great concern to everyone. Rightfully so – our economy is suffering. Stock market returns for the past several months have gone up and down more than any roller-coaster ever created. The future is uncertain. Despite this turmoil and uncertainty, the defined benefit retirement plans administered by the Board remain secure.

As a recipient of this update, you are a member, retiree, or beneficiary of a defined benefit retirement plan administered by the Board. The "**defined benefit**" part of that phrase is very important. It means your current or future benefit is defined by statute, not by the market and its fluctuations. Montana law defines your retirement benefit by a formula:

$$\frac{\text{"Years of Service"} \times \text{your "Highest Average Compensation"}}{\text{a "Benefit Factor"}}$$

The benefit factor is based upon your years of service and your defined benefit retirement plan. Wall Street and its latest market returns have no impact on this formula.

The benefit determined under the above formula is guaranteed for every current MPERA defined benefit retirement plan member, retiree and beneficiary. The guarantee comes from the State of Montana, not the federal government. The FDIC's current \$100,000 limit, or any new limit ultimately adopted, has no bearing on your retirement benefit.

Your guaranteed benefit is backed by the assets within the plans' individual trust funds. Montana's Board of Investments invests those assets in a highly diversified portfolio designed to average an 8% return over the long term. In some years, the trust funds have not experienced the desired 8% return, in other years, the 8% return has been exceeded – since 1994 the trust funds have averaged a return of nearly 8.5%. Even though there are years when the trust funds suffer at the hands of the market, the investment portfolio is designed to weather market storms and provide long-term comfort to the members, retirees and beneficiaries of the defined benefit retirement plans.

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*Should any information in this newsletter
conflict with statute or rules, the statute
or rules will apply.*

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The possible demise of retirement in America is a hot topic in the news media. Generally, however, those articles concern private sector 401(k) retirement plans that depend on investment performance. Your MPERA defined benefit retirement plan is **not** a 401(k) retirement plan – it is a section 401(a) tax-qualified defined benefit retirement plan. Section 401 of the federal internal revenue code is referenced because the MPERA plans are subject to IRS tax qualification requirements contained in those sections. Your defined benefit retirement plan was established by the State of Montana and is backed by Montana's laws and Constitution.

Please do not hesitate to contact us if you have questions regarding the security of your retirement.

- Roxanne Minnehan, Executive Director

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